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**ODYSSEY HOUSE LOUISIANA, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

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Postlethwaite  
& Netterville

A Professional Accounting Corporation

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**ODYSSEY HOUSE LOUISIANA, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

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**Independent Auditors' Report**

To the Board of Directors of  
Odyssey House Louisiana, Inc.  
New Orleans, Louisiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of Odyssey House Louisiana, Inc. (a nonprofit organization) ("the Organization"), which comprise the statements of financial position as of June 30, 2014 and 2013, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2015, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of the testing and not to provide an opinion in the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Postlethwaite & Jetterville*

Metairie, Louisiana  
January 8, 2015

**ODYSSEY HOUSE LOUISIANA, INC**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2013**

**ASSETS**

	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 1,164,463	\$ 707,385
Restricted cash	40,071	40,046
Receivables:		
Government grants and programs, net	913,946	852,002
Unconditional promise to give	23,668	27,863
Other	32,627	-
Inventory	2,000	2,000
Prepaid expenses and deposits	60,766	76,892
Total current assets	<u>2,237,541</u>	<u>1,706,188</u>
Investments	11,860	11,081
Property, buildings, and equipment, net	<u>5,906,463</u>	<u>6,146,274</u>
Total assets	<u><u>\$ 8,155,864</u></u>	<u><u>\$ 7,863,543</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable and accrued expenses	\$ 450,727	\$ 498,011
Program advances	24,265	39,075
Line of credit	-	15,083
Current maturities of long-term debt	<u>153,002</u>	<u>145,193</u>
Total current liabilities	<u>627,994</u>	<u>697,362</u>
Long-term debt, net of current maturities	2,444,247	2,593,967
Net assets:		
Unrestricted	5,048,095	4,493,224
Temporarily restricted	29,426	72,888
Permanently restricted	<u>6,102</u>	<u>6,102</u>
Total net assets	<u>5,083,623</u>	<u>4,572,214</u>
Total liabilities and net assets	<u><u>\$ 8,155,864</u></u>	<u><u>\$ 7,863,543</u></u>

The accompanying notes are an integral part of these financial statements.

**ODYSSEY HOUSE LOUISIANA, INC**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support				
United Way grant revenue	\$ 25,343	\$ 23,668	\$ -	\$ 49,011
Contributions	10,961	-	-	10,961
Government grants and programs:				
Medicaid programs	-	2,584,998	-	2,584,998
Office of Addictive Disorders	-	2,670,380	-	2,670,380
Substance abuse and mental health services administration	-	604,373	-	604,373
Unity of Greater New Orleans	-	1,082,777	-	1,082,777
Other	-	1,303,345	-	1,303,345
Investment return	1,238	-	-	1,238
Rental income	88,771	-	-	88,771
Insurance settlement	33,289	-	-	33,289
Other	94,528	-	-	94,528
Net assets released from restriction	8,313,003	(8,313,003)	-	-
Total revenues and other support	8,567,133	(43,462)	-	8,523,671
Expenses				
Program services:				
Residential/detox services	3,926,239	-	-	3,926,239
Outpatient/medical services	1,476,089	-	-	1,476,089
Sober living/housing services	1,590,281	-	-	1,590,281
Supporting activities:				
Management and general	1,019,653	-	-	1,019,653
Total expenses	8,012,262	-	-	8,012,262
Changes in net assets	554,871	(43,462)	-	511,409
Net assets				
Beginning of the year	4,493,224	72,888	6,102	4,572,214
End of the year	\$ 5,048,095	\$ 29,426	\$ 6,102	\$ 5,083,623

(continued)

The accompanying notes are an integral part of these financial statements.

**ODYSSEY HOUSE LOUISIANA, INC**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support				
United Way grant revenue	\$ 13,867	\$ 27,863	\$ -	\$ 41,730
Contributions	15,288	-	-	15,288
Government grants and programs:				
Medicaid programs	-	2,352,983	-	2,352,983
Office of Addictive Disorders	-	2,514,820	-	2,514,820
Substance abuse and mental health services administration	-	709,943	-	709,943
Unity of Greater New Orleans	-	1,113,792	-	1,113,792
Other	-	896,721	-	896,721
Investment return	1,123	-	-	1,123
Rental income	132,043	-	-	132,043
Insurance settlement	351,000	-	-	351,000
Other	29,645	40,046	-	69,691
Net assets released from restriction	7,621,118	(7,621,118)	-	-
Total revenues and other support	8,164,084	35,050	-	8,199,134
Expenses				
Program services:				
Residential/detox services	4,511,224	-	-	4,511,224
Outpatient/medical services	996,702	-	-	996,702
Sober living/housing services	1,352,481	-	-	1,352,481
Supporting activities:				
Management and general	987,886	-	-	987,886
Total expenses	7,848,293	-	-	7,848,293
Changes in net assets	315,791	35,050	-	350,841
Net assets				
Beginning of the year	4,177,433	37,838	6,102	4,221,373
End of the year	\$ 4,493,224	\$ 72,888	\$ 6,102	\$ 4,572,214

The accompanying notes are an integral part of these financial statements.



**ODYSSEY HOUSE LOUISIANA, INC**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014				
	Program Services		Community and Supporting Services	Supporting Activities	2014 Total
	Residential/ Detox	Outpatient/ Medical		Management and General	
EXPENSES					
Compensation	\$ 1,983,918	\$ 897,529	\$ 542,992	\$ 704,307	\$ 4,128,746
Occupancy	245,594	30,119	105,805	20,368	401,886
Travel and transportation	12,286	25,159	3,653	71,970	113,068
Specific assistance	42,760	47,383	727,015	86	817,244
Small equipment	32,758	10,074	5,858	2,987	51,677
Copying and printing	21,631	15,624	5,461	7,914	50,630
Insurance	135,472	16,523	50,639	21,075	223,709
Kitchen	474,341	-	453	114	474,908
Development	2,079	4,811	-	13,527	20,417
Shipping and postage	854	411	360	2,806	4,431
Building repairs and maintenance	23,129	1,820	12,971	5,110	43,030
Supplies	127,339	46,108	10,084	29,768	213,299
Vehicles	32,716	-	11,868	3,738	48,322
Contractual	388,808	278,461	7,381	120,851	795,501
Interest expense	128,563	13,387	-	253	142,203
Bank, credit card, and other fees	4,450	1,080	396	14,239	20,165
Bad debt expense	47,571	36,240	3,225	-	87,036
Total expenses before depreciation	3,704,269	1,424,729	1,488,161	1,019,113	7,636,272
Depreciation expense	221,970	51,360	102,120	540	375,990
Total expenses	<u>\$ 3,926,239</u>	<u>\$ 1,476,089</u>	<u>\$ 1,590,281</u>	<u>\$ 1,019,653</u>	<u>\$ 8,012,262</u>

The accompanying notes are an integral part of these financial statements.

**ODYSSEY HOUSE LOUISIANA, INC**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2013				
	Program Services			Supporting Activities	
	Residential/ Detox	Outpatient/ Medical	Community and Supporting Services	Management and General	2013 Total
EXPENSES					
Compensation	\$ 2,419,396	\$ 618,567	\$ 397,363	\$ 672,876	\$ 4,108,202
Occupancy	247,207	29,804	104,953	29,192	411,156
Travel and transportation	14,583	16,273	7,256	47,667	85,779
Specific assistance	37,415	30,618	682,582	250	750,865
Small equipment	39,690	6,160	15,893	1,491	63,234
Copying and printing	20,523	8,273	3,967	23,289	56,052
Insurance	139,845	22,699	34,558	22,307	219,409
Kitchen	426,740	652	-	-	427,392
Development	391	449	-	12,299	13,139
Shipping and postage	712	(13)	67	3,744	4,510
Building repairs and maintenance	24,753	251	2,117	2,017	29,138
Supplies	128,434	28,488	15,239	20,518	192,679
Catering	5	-	-	1,765	1,770
Special events	-	-	-	4,210	4,210
Vehicles	36,389	-	1,758	6,895	45,042
Contractual	478,024	174,270	338	120,270	772,902
Interest expense	140,451	17,242	-	339	158,032
Bank, credit card, and other fees	1,046	1,223	305	18,253	20,827
Bad debt expense	115,032	(23,330)	38,059	-	129,761
Total expenses before depreciation	4,270,636	931,626	1,304,455	987,382	7,494,099
Depreciation expense	240,588	65,076	48,026	504	354,194
Total expenses	<u>\$ 4,511,224</u>	<u>\$ 996,702</u>	<u>\$ 1,352,481</u>	<u>\$ 987,886</u>	<u>\$ 7,848,293</u>

The accompanying notes are an integral part of these financial statements.

**ODYSSEY HOUSE LOUISIANA, INC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ 511,409	\$ 350,841
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	375,990	354,194
Unrealized appreciation of investments	(779)	(565)
Changes in operating assets and liabilities:		
Receivables - government grants and programs, net	(61,944)	161,935
Other receivables	(32,627)	5,694
Unconditional promise to give	4,195	9,975
Prepaid expenses and deposits	16,126	(2,478)
Accounts payable and accrued expenses	(47,284)	(62,427)
Program advances	(14,810)	19,075
Net cash provided by operating activities	<u>750,276</u>	<u>836,244</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of property, buildings, and equipment, net of disposals	(136,179)	(199,211)
Change in restricted cash	(25)	(20)
Net cash used in investing activities	<u>(136,204)</u>	<u>(199,231)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Payments on line of credit	(15,083)	(9,917)
Payments on note payable	(141,911)	(134,779)
Net cash used in financing activities	<u>(156,994)</u>	<u>(144,696)</u>
<b><u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u></b>	457,078	492,317
<b><u>CASH AND CASH EQUIVALENTS</u></b>		
Beginning of the year	707,385	215,068
End of the year	<u>\$ 1,164,463</u>	<u>\$ 707,385</u>
<b><u>SUPPLEMENTAL CASH FLOW INFORMATION</u></b>		
Cash paid during the year for:		
Interest	<u>\$ 142,203</u>	<u>\$ 158,032</u>

The accompanying notes are an integral part of these financial statements.

**ODYSSEY HOUSE LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**1. Summary of Significant Accounting Policies**

Organization

The Odyssey House Louisiana, Inc. (the Organization) is a nonprofit corporation organized under the laws of the State of Louisiana. The Organization was established in 1973 as a non-profit residential substance abuse treatment facility with the mission of empowering people to conquer addiction in Louisiana. Today, the Organization offers a professional, structured, and caring therapeutic community with comprehensive services and effective support systems that enable individuals to chart new lives and return to their communities as contributing members. The Organization's primary source of revenue is from state and federal contracts and grant programs.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting. The Organization is required to report information regarding its financial position and activities and changes in net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

Financial Statement Presentation

Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Organization pursuant to those stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- Unrestricted net assets – Net assets not subject to donor-imposed stipulations. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gain and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

**ODYSSEY HOUSE LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**1. Summary of Significant Accounting Policies (continued)**

**Restricted and Unrestricted Revenues and Support**

Contributions received and recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets, if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets released from restrictions. Grant revenue is recognized as it is earned in accordance with approved contracts.

**Income Taxes**

The Organization is a nonprofit corporation organized under the laws of the State of Louisiana. It is exempt from both Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC), and qualifies as an organization that is not a private Organization as defined in Section 509(a) of the IRC. It is also exempt from Louisiana income tax under the authority of R.S. 12:201 of Louisiana statutes. Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustments to or disclosures in the financial statements.

The Organization follows the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB Accounting Standards Codification. All tax returns have been appropriately filed by the Organization. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Organization's tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2011 through 2013. Management evaluated the Organization's tax position and concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Organization's 2014 tax return has not been filed as of the report date.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all restricted highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Restricted cash includes cash for which the use is restricted by the donor, and receipts and payments associated with federal and state grants. Restricted cash at June 30, 2014 and 2013 consisted of funds received from Rose Mary Foundation restricted to the costs associated with the renovation of the Adolescent center.

**ODYSSEY HOUSE LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**1. Summary of Significant Accounting Policies (continued)**

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Gains, losses and investment income are accounted for as unrestricted, temporarily restricted or permanently restricted based on restrictions, if any, imposed by donors.

**Receivables**

Receivables consisted of amounts owed from various federal, state, and local government agencies for grants and fees for service programs. Receivables are stated at the amount management expects to collect from outstanding balances. Management considered subsequent collection results and wrote off year-end balances that were deemed to be not collectible. Management established an allowance for doubtful accounts due to the uncertainty in the timing and amount of expense reimbursements. For the year ended June 30, 2014, the allowance for doubtful accounts and bad debt expense was \$0 and \$87,036, respectively. For the year ended June 30, 2013, the allowance for doubtful accounts and bad debt expense was \$10,107 and \$129,761, respectively.

**Inventory**

Inventory consisted of food purchased in connection with the long-term care provided to clients and is accounted for at cost on the first-in first-out (FIFO) basis.

**Property, Buildings, and Equipment**

Property, buildings, and equipment are recorded at cost. Donations of assets are recorded at estimated fair market value on the date of donation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line basis over three to thirty years.

It is the policy of the Organization to capitalize all property, buildings, and equipment that are acquired as a result of a bulk purchase with an aggregate cost that exceeds \$5,000. Other property, buildings, and equipment not acquired by bulk purchase are capitalized when the acquisition cost is in excess of \$5,000. Costs incurred for repairs and maintenance are expensed as incurred.

**Functional Expenses**

The expenses of providing the programs and other activities have been summarized on a functional basis between program services and supporting activities in the statements of functional expenses. Some functional expenses have been allocated among program services and supporting activities based on estimates by management.

**ODYSSEY HOUSE LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**1. Summary of Significant Accounting Policies (continued)**

**In-Kind Contributions**

A variety of noncash items, such as clothing, toys, books, and building supplies were donated to the Organization throughout the year ended June 30, 2014. These items are recorded as contributions based on their fair market value as of the date of the contribution. The total amount of in-kind contributions reported in the statements of activities and changes in net assets for the year ended June 30, 2014 was estimated to be \$1,700. There were no in-kind contributions reported for the year ended June 30, 2013.

**Compensated Absences**

Full time salaried employees are allowed to accrue up to 200 hours of paid time off. The liability associated with compensated absences was \$80,291 and \$89,207 as of June 30, 2014 and 2013, respectively. Compensated absences are included in accounts payable and accrued liabilities.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**2. Receivables from Government Grants and Programs**

The Organization had the following grants receivable as of June 30:

	<u>2014</u>	<u>2013</u>
State of Louisiana:		
Department of Health and Hospitals	\$ 542,506	\$ 608,834
GNOCHC	88,661	61,893
U.S. Department of Labor	142,033	41,728
Unity for the Homeless, Inc.	<u>140,746</u>	<u>149,654</u>
	913,946	862,109
Less: allowance for doubtful accounts	<u>-</u>	<u>(10,107)</u>
Receivables, net	<u><u>\$ 913,946</u></u>	<u><u>\$ 852,002</u></u>

**ODYSSEY HOUSE LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**3. Unconditional Promise to Give**

The unconditional promise to give at June 30, 2014 and 2013 represents the United Way allocation for the program years ended June 30, 2014 and 2013, respectively. The United Way allocation totaled \$23,668 and \$27,863 for the years ended June 30, 2014 and 2013, respectively. These amounts are temporarily restricted until the Organization satisfies the time restrictions. The balance at June 30, 2014 is due within one year.

**4. Investments**

Investments at June 30, 2014 consisted of the following:

	Cost	Fair Market Value	Temporarily Restricted	Permanently Restricted
Mutual Fund	\$ 6,836	\$ 11,860	\$ 5,758	\$ 6,102

Investments at June 30, 2013 consisted of the following:

	Cost	Fair Market Value	Temporarily Restricted	Permanently Restricted
Mutual Fund	\$ 6,836	\$ 11,081	\$ 4,979	\$ 6,102

The mutual fund was created with an initial investment of \$6,077 into an endowment fund administered by the Greater New Orleans Foundation. Annually, the Greater New Orleans Foundation distributes a portion of the earnings to the Organization while maintaining the integrity of the corpus. FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. Fair value concepts are applied in recording investments.

Unrealized appreciation for the years ended June 30, 2014 and 2013 was \$779 and \$565, respectively, and the cumulative appreciation as of June 30, 2014 and 2013 was \$5,025 and \$4,245, respectively.

Investment returns consisted of the following as of June 30:

	2014	2013
Interest	\$ 459	\$ 558
Net realized and unrealized gain (loss)	779	565
	<u>\$ 1,238</u>	<u>\$ 1,123</u>



**ODYSSEY HOUSE LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**5. Fair Value of Investments**

FASB ASC 820 establishes a fair value hierarchy which prioritizes inputs to valuation techniques used to measure fair value. The term “inputs” refers broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be based on independent market data (“observable inputs”) or they may be internally developed (“unobservable inputs”). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad categories. These levels include Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as the quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of the unobservable inputs.

Investments of the Organization are held in pooled assets managed by the Greater New Orleans Foundation. The values of the Organization’s investments in this pool are based on information provided by the Greater New Orleans Foundation. These investments are classified within Level 2 of the fair value hierarchy. There have been no changes in the methodology used as of June 30, 2014 and 2013. The method described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**6. Property, Buildings, and Equipment**

Property, buildings, and equipment consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Buildings and improvements	\$ 6,278,050	\$ 6,252,180
Furniture and fixtures	1,095,101	973,703
Land & improvements	484,755	472,147
Buildings not in service	<u>-</u>	<u>23,670</u>
	7,857,906	7,721,700
Accumulated depreciation	<u>(1,951,443)</u>	<u>(1,575,453)</u>
	<u>\$ 5,906,463</u>	<u>\$ 6,146,247</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$375,990 and \$354,194, respectively.

**ODYSSEY HOUSE LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**6. Property, Buildings, and Equipment (continued)**

Buildings not placed in service consist of adjudicated properties received after Hurricane Katrina and property currently under renovation.

In May 2013, the Organization received an insurance settlement in the amount of \$351,000 due to building damage caused by Hurricane Katrina in August 2005. The insurance settlement revenue is recorded on the statements of activities and changes in net assets for the year ended June 30, 2013.

In February 2014, the Organization received an insurance settlement in the amount of \$33,289 due to building damage caused by a fire in September 2013. The insurance settlement revenue is recorded on the statements of activities and changes in net assets for the year ended June 30, 2014.

**7. Line of Credit**

On November 10, 2011, the Organization established a line of credit with JP Morgan Chase Bank for a maximum borrowing of \$100,000. On July 5, 2012, the maximum borrowing on this line was increased to \$500,000. The line of credit became due on July 5, 2013, and the interest rate is equal to the LIBOR rate plus 3.703%. The line of credit is collateralized by 11 properties owned by the Organization. As of June 30, 2013, the outstanding balance of the line of credit was \$15,083. As of June 30, 2014 the line of credit was still open with no outstanding balance.

**8. Long-Term Debt**

As of June 30, 2014 and 2013, long-term debt consisted of the following:

	<u>2014</u>	<u>2013</u>
Note payable to a financial institution, collateralized by property with interest at 5.25%	\$ 2,597,249	\$ 2,739,160
Less: current maturities	<u>(153,002)</u>	<u>(145,193)</u>
Long-term debt	<u>\$ 2,444,247</u>	<u>\$ 2,593,967</u>

In November 2011, the Organization paid down one line of credit and refinanced the remaining two lines of credit with JP Morgan Chase Bank into one business loan with a principal balance of \$2,935,000. The note matures on November 10, 2016, and the interest rate is 5.25%. The note is collateralized by 7 properties owned by the Organization.

**ODYSSEY HOUSE LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**8. Long-Term Debt (continued)**

The schedule of maturities for the years ending June 30 is as follows:

<u>Year ending</u>	
2015	\$ 153,002
2016	161,230
2017	<u>2,283,017</u>
	<u>\$ 2,597,249</u>

Interest expense for the years ended June 30, 2014 and 2013 was \$142,203 and \$158,032, respectively.

**9. Board of Directors Compensation**

The board of directors is a voluntary board and, therefore, no compensation was paid to any board member during the years ended June 30, 2014 and 2013.

**10. Medicaid Program Revenues**

The Organization is reimbursed on a per diem basis on rates set by the Medicaid program of the State of Louisiana. If there was an overpayment due to an error in setting the rate, the State could pursue recoupment. Since the number of beds eligible for state funding exceeded those submitted for reimbursement, management does not believe a change in rate would result in any retroactive adjustment.

In addition, the Organization received Medicaid funds from the Greater New Orleans Community Health Connection (GNOCHC) Medicaid waiver program which was established by Medicaid to provide funding for primary and behavioral healthcare services to low income uninsured residents in select parishes affected by Hurricane Katrina. The GNOCHC program period is from October 2010 to December 2014.

**11. Concentration of Credit Risk**

The Organization has concentrated its credit risk for cash by maintaining deposits in one financial institution. As of June 30, 2014, the Organization had \$1,084,885 of deposits which were not covered by the U.S. Federal Deposit Insurance Corporation (FDIC).

The organization received the majority of its revenue from funds provided through state and federal contracts and grant programs. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or the state level, the amount of funds the Organization receives could be reduced significantly and have an adverse impact on its operations.

**ODYSSEY HOUSE LOUISIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**11. Concentration of Credit Risk (continued)**

The Organization's support through federal, state, and local contracts and grant programs totaled 97% and 93% of revenues for the years ended June 30, 2014 and 2013, respectively.

**12. Retirement Plan**

The Organization has a 401(k) Profit Sharing Plan that provided for discretionary matching contributions determined by the employer covering all full-time employees at least twenty-one years of age with one year of eligible experience. The Organization makes matching contributions to the account of each eligible participant in an amount equal to the sum of 100% of the participants' elective deferrals but not to exceed 4% of the participants' compensation. Contributions to the plan during the years ended June 30, 2014 and 2013 were \$41,976 and \$32,482, respectively.

**13. Subsequent Events**

On October 27, 2014, the Organization's Board of Directors (the Board) unanimously voted that the Organization would accept administrative and fiscal operations for the New Orleans Society for Infectious Disease Awareness (NOSIDA). Members of the Organization's Executive Committee were appointed to NOSIDA's Board of Directors, with the Organization's Chief Executive Officer as NOSIDA's Board President. Policies and procedures for NOSIDA will mirror those of the Organization.

The purpose of NOSIDA is to raise awareness of HIV/AIDS in New Orleans through the use of music. NOSIDA has hosted annual fundraisers at local nightclubs in New Orleans around World AIDS Day and produces the HIV Awareness Music Project, also known as HAMP Fest, an annually occurring music festival that promotes HIV education, awareness and empowerment. Additionally, NOSIDA is the parent organization to a low-power radio station, WHIV, a New Orleans-based community station combining health, safety, and social issues news and talk programming of local interest with music.

The Organization and NOSIDA will review their partnership agreement every six months.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 8, 2015, and determined that no other events have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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**ODYSSEY HOUSE LOUISIANA, INC.**

**SINGLE AUDIT REPORT**

**JUNE 30, 2014**

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& Netterville

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**ODYSSEY HOUSE LOUISIANA, INC.**  
**New Orleans, Louisiana**

**Single Audit Reports**

**June 30, 2014**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Odyssey House Louisiana, Inc.  
New Orleans, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Odyssey House Louisiana, Inc. (the Organization) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise of the Organization's basic financial statements, and have issued our report thereon dated January 8, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Forrest White & Nettlesville*

New Orleans, Louisiana  
January 8, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133 AND THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the Board of Directors of  
Odyssey House Louisiana, Inc.  
New Orleans, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited the Odyssey House of Louisiana, Inc.'s (the Organization's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2014. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the Organization as of and for the year ended June 30, 2014, and have issued our report thereon dated January 8, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Robert M. White & Nettenville*

New Orleans, Louisiana  
January 8, 2015

**ODYSSEY HOUSE LOUISIANA, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2014**

<b>Funding Agencies/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Funds passed through Unity of Greater New Orleans, Inc.			
Unity - Permanent Supportive Housing	14.235	LA 48B 60 3001	\$ 860,059
Unity - Supportive Housing	14.235	LA0081B6BH30801	196,333
Unity - Shelter Plus Care	14.238	LA0086L6H031205-06	<u>58,506</u>
Total U.S. Department of Housing and Urban Development			<u>1,114,898</u>
<b><u>U.S. Department of Labor</u></b>			
Funds passed through the State of Louisiana:			
Reintegration of Ex-Offenders	17.270	PE-23375-12-60-A-22	<u>517,975</u>
Total U.S. Department of Labor			<u>517,975</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Funds passed through the State of Louisiana			
Department of Health and Hospitals			
SAMHSA - Assertive Adolescent & Family Treatment	93.243	1H79T1023197-01	57,185
SAMHSA - Health Information Technology Initiative	93.243	1H79T1023814-01	278,994
SAMHSA - Home First New Orleans	93.243	1H79SM059082-5	48,432
SAMHSA - TCE-HIV: Minority Women	93.243	1H79TI025182-01	221,594
MHSD HIV Testing Services	93.959	724242	10,450
MHSD Residential	93.959	673662	<u>361,782</u>
Total U.S. Department of Health and Human Services			<u>978,437</u>
Total federal awards			<u>\$ 2,611,310</u>

See the accompanying notes to the schedule expenditures of federal awards.

**ODYSSEY HOUSE LOUISIANA, INC.**  
**New Orleans, Louisiana**

**Notes to Schedule of Expenditures of Federal Awards**

**June 30, 2014**

**(1) General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of Odyssey House Louisiana, Inc. (the Organization). The Organization's reporting entity is defined in note 1 to the financial statements for the year ended June 30, 2014. All federal awards received from federal agencies are included on the schedule.

**(2) Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1 to the Organization's financial statements for the year ended June 30, 2014.

**(3) Relationship to Financial Statements**

Federal awards are included in government grants and programs in the statements of activities and changes in net assets for the year ended June 30, 2014.

**ODYSSEY HOUSE LOUISIANA, INC.**  
**New Orleans, Louisiana**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2014**

**(1) Summary of Auditors' Results**

*Financial Statements*

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted: no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings which are required to be reported in accordance with section 510(a) of OMB Circular A-133? no

Identification of major programs:

U.S. Department of Health and Human Services:	
Substance Abuse and Mental Health Services Administration Program Cluster	93.243
Metropolitan Human Services District Program Cluster	93.959

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: yes

**2) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*:** none

**3) Findings and Questioned Costs relating to Federal Awards:** none